AIRTEL UGANDA LIMITED

ANNUAL REPORT
AND
FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31st DECEMBER 2023

AIRTEL UGANDA LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2023

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AIRTEL UGANDA LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2023

COMPANY INFORMATION

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS	Airtel Uganda Limited Plot 16A Clement Hill Road P O Box 6771 Kampala, Uganda
COMPANY SECRETARY	Dennis A. Kakonge Airtel Uganda Limited Plot 16A Clement Hill Road P O Box 6771 Kampala, Uganda

COMPANY SOLICITORS

Nangwala, Rezida & Company Advocates Suite 3B 3rd Floor, Plot 9 Yusuf Lule Road P O Box 10304 Kampala, Uganda	Verma Jivram & Associates 3rd Floor, FIL Courts 88 Luthuli Avenue, Bugolobi P O Box 7595 Kampala, Uganda
Lex Uganda Advocates & Solicitors, 1 Colville Street P O Box 22490 Kampala, Uganda	Katende, Ssempebwa & Co Advocates, Radiant House Plot 20, Kampala Road P O Box 2344, Kampala, Uganda
K & K Advocates Plot 67 Lugogo By-Pass, P O Box 6061 Kampala, Uganda	Birungyi, Barata & Associates Plot 14, Archer Road. Kampala, Uganda

COMPANY INFORMATION (CONTINUED)

BANKERS

Citibank Uganda Limited
4, Centre Court
Ternan Avenue
P. O. Box 7505
Kampala, Uganda

Stanbic Bank (U) Ltd
10th Floor, Short Tower
17 Hannington Road
Crested Towers
Kampala, Uganda

Equity Bank Uganda Limited
Plot 34, Church House, Kampala Road
P O Box 10184
Kampala, Uganda

Standard Chartered Bank Uganda Limited
5 Speke Road
P O Box 7111
Kampala, Uganda

Absa Bank Uganda Limited
Plot 2/4 Hannington Road
P O Box 7101
Kampala, Uganda

Ecobank Uganda Limited
Plot 8A Kafu Road Nakasero
P O Box 7368
Kampala, Uganda

United Bank for Africa (UBA) Uganda
Plot 2, Jinja Road
PO BOX 7396
Kampala, Uganda

DFCU Uganda
Plot 26, Kyadondo Road Nakasero,
P O Box 70
Kampala, Uganda

AUDITORS

Deloitte & Touche
Certified Public Accountant of Uganda
3rd Floor, Rwenzori House
1 Lumumba Avenue
P O Box 10314
Kampala, Uganda

DIRECTORS' REPORT

The Directors submit their report and audited Financial Statements of Airtel Uganda Limited ("the Company") for the year ended 31st December 2023, which show the state of affairs of the Company.

PRINCIPAL ACTIVITIES

The principal activities of the Company are the operation of a cellular telephone network in Uganda and the provision of telecommunication services.

FINANCIAL RESULTS

	2023	2022
	Ushs million	Ushs million
Profit before taxation	426,885	473,600
Taxation charge	(129,935)	(147,897)
Profit for the year	**296,950**	**325,703**

The profit for the year amounted to Ushs 296,950 million (2022: Ushs 325,703 million). The Directors declared interim dividends for the year ended 31 December 2023 amounting to Ushs 194,800 million (2022: Ushs 226,688 million) (refer to note 32 of the Financial Statements).

Further, the Directors recommend a final dividend of Ushs 86,000 million at a rate of Ushs. 2.15 per share making a total dividend for the year of Ushs 280,800 million (2022: Ushs 325,952 million) at a rate of Ushs 7.02 per share for the year ended 31st December 2023. The final dividend is subject to approval of the shareholders at the annual general meeting.

RESERVES

The reserves of the Company are set out on page 13 in the Statement of Changes in Equity.

DIRECTORS

The Directors who held office during the year and to the date of this report were as follows:

Hannington Karuhanga	-	Non-Executive Director
Manoj Murali	-	Executive Director
Alok Bafna	-	Non-Executive Director
Rama Krishna Lella	-	Non-Executive Director
Apoorva Mehrotra	-	Non-Executive Director

DIRECTORS' REPORT (CONTINUED)

The Directors were in office for the entire period unless otherwise stated.

SHAREHOLDING

The shareholding of the Company as at 31st December 2023 is as follows

Name of shareholder	No. of shares	% of shareholding
Bharti Airtel Uganda Holdings B.V.	35,644,069,165	89.1102%
Bharti Airtel Africa B.V.	28,000	0.0001%
National Social Security Fund	4,218,800,000	10.5470%
Other Shareholders	137,102,835	0.3428%
Total	**40,000,000,000**	

AUDITORS

Deloitte & Touche, Certified Public Accountant of Uganda, have expressed their willingness to continue in office in accordance with the provisions of Section 167 (2) of the Companies Act, 2012 of the laws of Uganda.

BY ORDER OF THE BOARD

Secretary

28 February 2024

Kampala

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

The Companies Act, 2012 of the Laws of Uganda requires the Directors to prepare Financial Statements for each financial year, which give a true and fair view of the State of Financial Affairs of the Company as at the end of the financial year and of its operating results for that year. The Act also requires the Directors to ensure the Company keeps proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Company. They are also responsible for safeguarding the assets of the Company.

The Directors are ultimately responsible for the internal control. The Directors delegate responsibility for internal control to Management. Standards and systems of internal control are designed and implemented by Management to provide reasonable assurance as to the integrity and reliability of the Financial Statements and to adequately safeguard, verify and maintain accountability of the Company's assets. Appropriate accounting policies supported by reasonable and prudent judgments and estimates, are applied on a consistent basis. These systems and controls include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties.

The Directors accept responsibility for the year's Financial Statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Companies Act, 2012 of Uganda. The Directors are of the opinion that the Financial Statements give a true and fair view of the state of the financial affairs of the Company and of its operating results. The Directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of Financial Statements, as well as adequate systems of internal financial control.

The Financial Statements have been prepared on a going concern basis as the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

The Financial Statements were approved by the Board of Directors on 28 | Feb | 2024 and signed on its behalf by:

Manoj Murali
Director

Hannington Karuhanga
Chairman

Deloitte.

Deloitte & Touche
Certified Public Accountants of Uganda
ICPAU Registration No: AF0001
3rd Floor, Rwenzori House
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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF AIRTEL UGANDA LIMITED

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Airtel Uganda Limited set out on pages 11 to 63, which comprise the statement of financial position as at 31 December 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policy information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Airtel Uganda Limited as at 31 December 2023, and its financial performance and cash flows for the year then ended and are prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2012 of the laws of Uganda.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Federation of Accountants' Code of Ethics for Professional Accountants (IFAC code) and other independence requirements applicable to performing audits of Airtel Uganda Limited. We have fulfilled our other ethical responsibilities in accordance with the IFAC Code, and in accordance with other ethical requirements applicable to performing the audit of Airtel Uganda Limited.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the matter was addressed in the audit
Recognition of revenue from contracts with customers. The recognition of revenue from contracts with customers is considered a key audit matter in telecom companies due to its complexity, significance judgmental nature, contractual dynamics and control environment.	Our procedures included the following: • Used internal IT specialists to test the IT environment in which the billing systems reside, including interface controls between different IT applications.

MAKING AN IMPACT THAT MATTERS since 1845

Practicing accountants: N. Kagoro A. N. Muraya* F. Okwiri* P. Ssali
*Kenyan
Associate of Deloitte Africa, a Member of Deloitte Touche Tohmatsu Limited
The firm is licensed and regulated by Institute of Certified Public Accountants of Uganda

Key Audit Matters (Continued)

Key Audit Matter	How the matter was addressed in the audit
Furthermore, we considered revenue recognition as a key audit matter because the entity's revenue recognition process relies on the use of multiple, and in some cases complex, information technology systems to apply distinct tariff structures and pricing models to the company's products and services. As disclosed in notes 6(a) of these financial statements, the company earned Ushs 1,769 billion (2022: Ushs 1,589 billion) revenue with differing contractual arrangements with customers.	• Tested the relevant controls over (a) approvals and maintenance of new tariff plans in the billing system and (b) authorization of the rate changes and the maintenance of such rates in the billing systems. • Tested the accuracy and completeness of key information used within relevant controls ("IUC") either through testing controls around the IUC or directly testing the IUC. • Obtained and substantively tested samples of CDR (call detail records) rating validations performed by revenue assurance to test the accuracy of both revenue streams and the resolution of exceptions noted, if any. Sample tested the accuracy of tariffs set up in the system. • Performed independent call testing with the objective of ensuring the accuracy of plans by ensuring that a sample of each major tariff has been tested and that the rates set up in the system are accurate. • Obtained and tested the accuracy of the reconciliation between the Intelligent Network (IN) billing system and the general ledger (the manual revenue reconciliation process). • Assessed the adequacy and appropriateness of disclosures for compliance with the accounting standards Based on the procedures described above, our audit evidence was consistent with the revenue recognized in the financial statements in accordance with IFRS 15. We also found the disclosures to be adequate and appropriate.

Other information

The Directors are responsible for the other information, which comprises the information included in the Directors' report and statement of directors' responsibilities as required by the Companies Act, 2012 of the laws of Uganda. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2012 of the laws of Uganda and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF AIRTEL UGANDA LIMITED (CONTINUED)

Auditor's responsibilities for the audit of the financial statements (continued)

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on other legal requirements

As required by the Companies Act, 2012 of the laws of Uganda, we report to you based on our audit, that:

(i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

(ii) in our opinion, proper books of account have been kept by the Company so far as appears from our examination of those books; and

(iii) The Company's statement of financial position and statement of comprehensive income are in agreement with the books of account

The Engagement Partner responsible for the audit resulting in this independent auditor`s report is Paul Ssali, Practicing Number P0508.

Deloitte & Touche

Certified Public Accountant of Uganda

28 February 2024
Kampala

CPA Paul Ssali
Audit Partner

AIRTEL UGANDA LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31st DECEMBER 2023

	Note	2023 Ushs millions	2022 Ushs millions
Income			
Revenue	6	1,777,307	1,594,271
Other income	6(b)	6,653	5,627
		1,783,960	**1,599,898**
Expenses			
Network operating expenses	7(b)	314,475	251,360
Access charges		66,008	42,139
Licence fees and spectrum usage charges		43,567	38,976
Employee benefits expenses	7(c)	83,568	84,958
Sales and marketing expenses	7(a)	198,777	177,804
Other operating expenses	7(d)	159,174	116,652
Depreciation and amortisation	8	326,737	272,455
		1,192,306	**984,344**
Operating profit		**591,654**	**615,554**
Finance income	9(a)	(10,276)	(396)
Finance costs	9(b)	175,045	142,350
Profit before tax		**426,885**	**473,600**
Income tax expense	10(a)	129,935	147,897
Profit for the year		**296,950**	**325,703**
Other comprehensive income			
Other comprehensive income that will not reclassified to profit or loss in subsequent periods			
Other comprehensive (loss)/income for the year, net of tax		**(6)**	**51**
Total comprehensive income for the year, net of tax		**296,944**	**325,754**
Basic and diluted earnings per share	**33**	**7.4**	**8.1**

AIRTEL UGANDA LIMITED

STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31st DECEMBER 2023

	Note	2023 Ushs millions	2022 Ushs millions
ASSETS			
Non-current assets			
Property plant and equipment	11	764,871	674,990
Capital work-in-progress	11	41,448	40,930
Right of use asset	12	672,869	601,276
Intangible assets	14	421,292	409,194
Other non-current assets	15	66,571	51,379
		1,967,051	1,777,769
Current assets			
Inventories	16	3,445	5,447
Financial assets			
Trade receivables	17	98,481	75,650
Cash and cash equivalents	18	34,345	35,204
Others	19	24,636	9,103
Income tax asset (net)	10(c)	5,406	-
Other current assets	15	67,194	67,228
		233,507	192,632
TOTAL ASSETS		2,200,558	1,970,401
EQUITY AND LIABILITIES			
Equity			
Share capital	21(a)	40,000	1,408
Share premium	21(b)	-	16,128
Retained earnings		86,661	106,239
Other reserves		79	85
		126,740	123,860
Non-current liabilities			
Financial liabilities			
Borrowings	22	291,429	311,817
Lease liabilities	23	609,902	555,318
Others	24	145,203	110,493
Deferred revenue	25	11,068	12,613
Provisions	26	2,931	2,606
Deferred tax liability	10(d)	100,188	92,646
		1,160,721	1,085,493
Current liabilities			
Financial liabilities			
Borrowings	22	401,747	317,018
Lease liabilities	23	175,317	135,526
Trade payables	27	194,379	152,930
Derivative financial instruments	28	508	5,641
Others	24	51,851	45,961
Deferred revenue	25	29,085	35,125
Provisions	26	7,213	6,231
Income tax payable (net)	10(c)	-	9,910
Other current liabilities	29	52,997	52,706
		913,097	761,048
TOTAL EQUITY AND LIABILITIES		2,200,558	1,970,401

The Financial Statements on pages 11 to 63 were approved for issue by the Board of Directors on 28th February, 2024 and signed on its behalf by:

Manoj Murali
Director

Hannington Karuhanga
Chairman

AIRTEL UGANDA LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31st DECEMBER 2023

	Share capital Ushs millions	Share premium Ushs millions	Retained earnings Ushs millions	Other Comprehensive Income Ushs millions	Total equity Ushs millions
At 1 January 2022	1,408	16,128	139,224	34	156,794
Profit for the year	-	-	325,703	-	325,703
Dividends - Final Dividend FY20 Refer to Note 32	-	-	(132,000)	-	(132,000)
Dividends – Interim Dividend FY21 Refer to Note 32	-	-	(226,688)	-	(226,688)
Other comprehensive income	-	-	-	51	51
At 31 December 2022	1,408	16,128	106,239	85	123,860
At 1 January 2023	1,408	16,128	106,239	85	123,860
Profit for the year	-	-	296,950	-	296,950
Dividends - Final Dividend FY22 Refer to Note 32	-	-	(99,264)	-	(99,264)
Dividends – Interim Dividend FY23 Refer to Note 32	-	-	(194,800)	-	(194,800)
Other comprehensive income	-	-	-	(6)	(6)
Conversion of share premium to share capital	16,128	(16,128)	-	-	-
Conversion of retained earnings to share capital	22,464	-	(22,464)	-	-
At 31 December 2023	40,000	-	86,661	79	126,740

AIRTEL UGANDA LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31st DECEMBER 2023

	Note	2023 Ushs millions	2022 Ushs millions
OPERATING ACTIVITIES			
Profit before tax		426,885	473,600
Adjustments for:			
Depreciation and amortisation	8	326,737	272,455
Interest income	9	(1,021)	(396)
Unrealised foreign exchange (gain)/loss	9	(9,255)	19,861
Interest on borrowings	9	80,684	54,244
Interest on lease liabilities	9	54,215	40,840
Interest on spectrum liabilities	9	9,458	7,923
Movement in provision for trade receivables	17	1,242	(1,014)
Movement in provision for inventory obsolescence	16	1,069	11,406
Other non-cash adjustments	10	-	1,736
Increase in provisions	26	1,307	2,930
Asset write off	11	794	935
Operating cash flow before changes in working capital		**892,115**	**884,520**
Decrease/(Increase) in inventories	16	933	(12,543)
Increase in trade receivables	17	(21,924)	(20,672)
Increase in other financial and non-financial assets	15, 19	(30,691)	(31,853)
Increase/decrease in trade payables	27	45,740	(13,937)
(Decrease) / increase in deferred revenue	25	(7,585)	26,154
(Decrease)/increase in other financial and non-financial liabilities	24,28,29	(7,375)	5,917
Net cash generated from operations before tax		**871,213**	**837,586**
Income tax paid	10 (e)	(137,708)	(132,275)
Net cash generated from operating activities (a)		**733,505**	**705,311**
INVESTING ACTIVITIES			
Purchase of property, plant and equipment and capital work in progress	11	(242,298)	(241,163)
Interest received	9	1,021	396
Net cash flows used in investing activities (b)		**(241,277)**	**(240,767)**
FINANCING ACTIVITIES			
Proceeds from borrowings	22	300,000	150,000
Repayment of borrowings	22	(334,483)	(142,270)
Interest on borrowings	9	(81,548)	(55,125)
Repayment of lease liabilities	23	(173,663)	(143,337)
Payment of spectrum liabilities	24	(16,053)	(11,353)
Dividend paid	32	(294,049)	(358,688)
Net cash flows used in financing activities (c)		**(599,796)**	**(560,773)**
		-	
Net movement in cash and cash equivalents during the year (a+b+c)		**(107,568)**	**(96,229)**
Cash and cash equivalents as at beginning of the year	18	(189,351)	(93,122)
Cash and cash equivalents as at end of the year	**18**	**(296,919)**	**(189,351)**

1 CORPORATE INFORMATION

Airtel Uganda Limited is incorporated in Uganda under the Companies Act as a public limited liability Company and is domiciled in Uganda. The Company was listed on the Uganda's Security Exchange on 7th November 2023. The address of its registered office is Airtel House, Plot 16A Clement Hill Road, Kampala, Uganda. Its principal activities are the operation of a cellular telephone network in Uganda and provision of telecommunication services. The Company is subsidiary of Bharti Airtel Uganda Holdings B.V. The Intermediate Parent is Airtel Africa PLC (listed in London stock exchange and Nigeria stock exchange).

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS's)

2.1 New and amended Standards that are effective for the current year

In the current year, the company has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2023. Their adoption has not had any material impact on the disclosures or on the amounts.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materialilty Judgements-Disclosure of Accounting Policies

The Company has adopted the amendments to IAS 1 for the first time in the current year. The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS's) (CONTINUED)

2.1 New and amended Standards that are effective for the current year (Continued)

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making

Materialilty Judgements-Disclosure of Accounting Policies (Continued)

The IASB has also developed guidance and examples to explain and demonstrate the application of the "four step materiality process" described in IFRS Practice Statement 2.

The change did not have a material impact on the Company's financial statements

Amendments to IAS 12 Income Taxes - Deferred Tax relating to Assets and Liabilities arising from a Single Transaction

The company has adopted the amendments to IAS 12 for the first time in the current year. The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit.

Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

The change did not have a material impact on the Company's financial statements

Amendements to IAS 12 Income Taxes - International Tax Reform - Pillar Two Model Rules

The company has adopted the amendments to IAS 12 for the first time in the current year. The IASB amends the scope of IAS 12 to clarify that the Standard applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the OECD, including tax law that implements qualified domestic minimum topup taxes described in those rules.

The amendments introduce a temporary exception to the accounting requirements for deferred taxes in IAS 12, so that an entity would neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.

Following the amendments, the company is required to disclose that it has applied the exception and to disclose separately its current tax expense (income) related to Pillar Two income taxes.

The change did not have a material impact on the Company's financial statements

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS's) (CONTINUED)

2.1 New and amended Standards that are effective for the current year (Continued)

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors -

The company has adopted the amendments to IAS 8 for the first time in the current year. The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainity". The definition of a change in accounting estimates was deleted.

2.2 New and revised standards in issue but not yet effective

At the date of authorisation of these Financial Statements, the Company has not applied the following new and revised IFRS Accounting Standards that have been issued but are not yet effective.

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IAS 1	Classification of Liabilities as Current or Non-current, Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the Financial Statements of the Company in future periods.

3 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

The principal accounting policies adopted in the preparation of these Financial Statements are set out below.

(a) Basis of preparation

The Financial Statements of Airtel Uganda Limited have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, 2012 of the Laws of Uganda. The Financial Statements are presented in Uganda Shillings and all values are rounded to the nearest millions except when otherwise indicated.

3 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(a) Basis of preparation (Continued)

For purposes of reporting under the Companies Act, 2012 of the Laws of Uganda, the Balance Sheet in these Financial Statements is represented by the Statement of Financial Position and the Profit and Loss account is represented by the statement of profit or loss and other comprehensive income.

The accounting policies adopted are consistent with those used in the previous year, except otherwise indicated.

(b) Basis of measurement

The Financial Statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is based on the fair value of the consideration given in exchange for goods and services.

Fair value measurement

Fair value is the price at the measurement date, at which an asset can be sold or the price paid to transfer a liability, in an orderly transaction between market participants. The Company's accounting policies require measurement of certain financial/non-financial assets and liabilities at fair value (either on a recurring or non-recurring basis).

The Company is required to classify the fair valuation method of the financial/non-financial assets and liabilities, either measured or disclosed at fair value in the Financial Statements, using a three level fair-value hierarchy (which reflects the significance of inputs used in the measurement of fair value). Accordingly, the Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, as described below, based on the lowest input that is significant to the fair value measurement as a whole:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly: and

- Level 3 inputs are unobservable inputs for the asset or liability.

3 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(c) Revenue recognition

Revenue is recognised upon the transfer of control of promised products or services to the customer at the consideration which the Company has received or expects to receive in exchange for those products or services, net of any taxes/duties and discounts. When determining the consideration to which the Company is entitled for providing promised products or services via intermediaries, the Company assesses whether the intermediary is a principal or agent in the onward sale to the end customer. To the extent that the intermediary is considered a principal, the consideration to which the Company is entitled is determined to be that received from the intermediary. To the extent that the intermediary is considered to be an agent, the consideration to which the Company is entitled is determined to be the amount received from the customer. Any upfront discount provided to the intermediary is recognised as a cost of sale.

The Company has entered into certain multiple-element revenue arrangements, which involve the delivery or performance of multiple products, services or rights to use assets. At the inception of the arrangement, all the deliverables with in the contract are evaluated to determine whether they represent distinct performance obligations, and if so, they are accounted for separately.

Total consideration related to the multiple element arrangements is allocated to each performance obligation based on their relative standalone selling prices.

Revenue is recognised when, or as, each distinct performance obligation is satisfied. The main categories of revenue and the basis of recognition are as follows:

Service revenue

Service revenue is derived from the provision of telecommunication services to customers. The majority of the customers of the Company subscribe to the services on a pre-paid basis.

Telecommunication service revenues mainly pertains to usage, subscription charges for voice, data, messaging and value-added services and customer onboarding charges, which include activation charges.

Telecommunication services (comprising voice, data, and SMS) are considered to represent a single performance obligation as all are provided over the Company's network and transmitted as data representing a digital signal on the network. The transmission consumes network bandwidth and therefore, irrespective of the nature of the communication, the customer ultimately receives access to the network and the right to consume network bandwidth.

Majority of the customers pay in advance for services of the Company. These cash amounts are recognised in deferred income on the statement of financial position and transferred to the statement of profit or loss and other comprehensive income when the service obligation has been performed/when the usage of services becomes remote.

3 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(c) Revenue recognition (Continued)

The Company recognises revenue from these services over time as they are provided. Revenue is recognised over time based on actual units of telecommunication services provided during the reporting period as a proportion of the total units of telecommunication services to be provided.

Subscription charges are recognised over the subscription pack validity period. Customer onboarding revenue is recognised upon successful onboarding of customers i.e., upfront.

Revenues recognised in excess of amounts invoiced are classified as unbilled revenue. If amounts invoiced/collected from a customer are in excess of revenue recognised, a deferred revenue/advance income is recognised.

Service revenues also includes revenue from interconnection/roaming charges for usage of the Company's network by other operators for voice, data, messaging and signalling services. These are recognised upon transfer of control of services being transferred over time.

Revenues from long distance operations comprise voice services and bandwidth services (including installation), which are recognised on provision of services and over the period of respective arrangements.

The Company has interconnect agreements with local and foreign operators. This allows customers from either network to originate or terminate calls to each other's network. Revenue is earned and recognised as per bilateral agreements when other operators' calls are terminated to the Company's network i.e., the service is rendered.

Equipment sales

Equipment sales mainly pertain to sale of telecommunication equipment and related accessories for which revenue is recognised when the control of equipment is transferred to the customer i.e., transferred at a point in time.

Costs to obtain or fulfil a contract with a customer

The Company defers costs to obtain or fulfil contracts with customers over the expected average customer life, determined based on the churn rate.

(d) Functional currency and translation of foreign currencies

Functional and presentation currency

The items included within the Financial Statements of the Company are measured using the currency of the primary economic environment in which the entity operates (i.e., 'functional currency').

3 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(d) Functional currency and translation of foreign currencies (Continued)

The Financial Statements are presented in Uganda Shillings, which is also the functional, and presentation currency of the Company.

Transactions and balances

Transactions in foreign currencies are initially recorded in the relevant functional currency at the rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the closing exchange rate prevailing as at the reporting date with the resulting foreign exchange differences, on subsequent re-statement/settlement, recognised in the statement of profit or loss and other comprehensive income within finance costs/finance income. Non-monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the exchange rate prevalent, at the date of initial recognition (in case they are measured at historical cost) or at the date when the fair value is determined (in case they are measured at fair value) – with the resulting foreign exchange difference, on subsequent re-statement/settlement, recognised in the profit and loss, except to the extent that it relates to items recognised in the other comprehensive income or directly in equity.

The equity items denominated in foreign currencies are translated at historical exchange rate.

(e) Property, plant and equipment

An item is recognised as an asset, if and only if, it is probable that the future economic benefits associated with the item will flow to the Company and its cost can be measured reliably.

All categories of property, plant and equipment are initially recorded at cost and subsequently stated at historical cost less depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

When significant parts of property, plant and equipment (PPE) are required to be replaced at regular intervals, the Company recognises such parts as separate component of assets. When an item of PPE is replaced, then its carrying amount is de-recognised from the statement of financial position and cost of the new item of PPE is recognised.

3 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(e) Property, plant and equipment (continued)

The expenditures that are incurred after an item of PPE has been put to use, such as repairs and maintenance, are normally charged to the statement of profit or loss and other comprehensive income in the period in which such costs are incurred. However, in situations where the said expenditure can be measured reliably and is probable that future economic benefits associated with it will flow to the Company, it is included in the asset's carrying value or as a separate asset, as appropriate.

Depreciation on PPE is computed using the straight-line method over the estimated useful lives. Freehold land is not depreciated as it has an unlimited useful life. The Company has established the estimated range of useful lives for different categories of PPE as follows:

Categories	**Period (Years)**
Buildings and leasehold improvements	20
Plant and Machinery	3-25
Computer equipment	3
Furniture & fixture and Office Equipment	1-5
Motor vehicles	5

The assets' residual values, useful lives and depreciation methods are reviewed at each reporting date so as to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets. The effect of any change in the estimated useful lives, residual values and/or depreciation method are accounted prospectively, and accordingly, the depreciation is calculated over the PPE's remaining revised useful life.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amounts and are taken into account in determining profit.

PPE in the course of construction, less any accumulated impairment is carried at cost and presented separately as capital work-in-progress ('CWIP') including capital advances in the statement of financial position until ready for use at which point it is transferred to PPE and subsequently depreciated. Such cost comprises the purchase price (including non-refundable duties and taxes but excluding any trade discounts and rebates), and any other directly attributable costs.

3 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(f) Intangible assets

Identifiable intangible assets are recognised when the Company controls the asset, it is probable that future economic benefits attributed to the asset will flow to the Company and the cost of the asset can be measured reliably.

Intangible assets acquired separately are measured on initial recognition at cost. Subsequently, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets with infinite lives are amortised over their economic useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Goodwill represents the cost of the acquired business in excess of the fair value of identifiable net assets purchased. Goodwill is not amortised, however, it is tested annually for impairment and carried at cost less any accumulated impairment losses.

The Company has established the estimated useful lives of different categories of intangible assets as follows:

Software

Software are amortised over the period of the licence, generally not exceeding three (3) years.

Licences (including spectrum)

Acquired licenses and spectrum are amortised commencing from the date when the related network is available for intended use in the relevant jurisdiction over the relevant license period. The useful life generally range from ten to twenty years.

In addition, the Company incurs a fee on licenses/spectrum that is calculated based on the revenue amount of the period. These fees are recognised as a cost in the statement of profit or loss and other comprehensive income when incurred.

Other acquired intangible assets

Other acquired intangible assets include customer relationships - over the estimated life of such relationships which ranges from one (1) year to five (5) years.

The useful lives and amortisation method are reviewed, and adjusted appropriately, at least at each financial year end so as to ensure that the method and period of amortisation are consistent with the expected pattern of economic benefits from these assets. The effect of any change in the estimated useful lives and/or amortisation method is accounted prospectively, and accordingly, the amortisation is calculated over the remaining revised useful life.

3 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(g) Accounting for leases

At inception of a contract, the Company assesses a contract as, or containing, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether the contract involves the use of an identified asset, the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and the Company has the right to direct the use of the asset.

Company as a lessee

The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee in the statement of financial position. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments), variable lease payments that are based on index, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Subsequently, the lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments including changes in index or if the Company changes its assessment of whether it will exercise a purchase, extension, or termination option or when the lease contract is modified, and the lease modification is not accounted for as a separate lease. The corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the related right-of-use asset has been reduced to zero.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs, and restoration costs.

Subsequent to initial recognition, right-of-use asset are stated at cost less accumulated depreciation and any impairment losses and adjusted for certain re-measurements of the lease liability. Depreciation is computed using the straight-line method from the commencement date to the end of the useful life of the underlying asset or the end of the lease term, whichever is shorter. The estimated useful lives of right-of-use assets are determined on the same basis as those of the underlying asset.

In the statement of financial position, the right-of-use assets and lease liabilities are presented separately.

3 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(f) Intangible assets (Continued)

When a contract includes lease and non-lease components, the Company allocates the consideration in the contract on the basis of the relative stand-alone prices of each lease component and the aggregate stand-alone price of the non-lease components.

Company as a lessor

Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

When a contract includes lease and non-lease components, the Company applies IFRS 15 to allocate the consideration under the contract to each component.

The Company enters into 'Indefeasible right to use' ('IRU') arrangements wherein the right to use the assets is given over the substantial part of the asset life. However, as the title to the assets and the significant risks associated with the operation and maintenance of these assets remains with the Company, such arrangements are recognised as operating lease. The contracted price is recognised as revenue during the tenure of the agreement. Unearned IRU revenue received in advance is presented as deferred revenue within liabilities in the statement of financial position.

Short-term leases

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(h) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on a first-in first-out basis.Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. The costs comprise its purchase price and any directly attributable cost of bringing it to its present location and condition.

(i) Cash and cash equivalents

Cash and cash equivalents include cash in hand, wallet balances, bank balances, cheque in hand and any deposits with original maturities of three months or less (that are readily convertible to known amounts of cash and cash equivalents and subject to an insignificant risk of changes in value). However, for the purpose of the statement of cash flows, in addition to the above items, any bank overdrafts that are integral part of the Company's cash management is also included as a component of cash and cash equivalents. Bank overdrafts are shown within borrowings in current liabilities in the Statement of Financial Position.

3 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(j) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the relevant obligation, using a pre-tax rate that reflects current market assessments of the time value of money (if the impact of discounting is significant) and the risks specific to the obligation. The increase in the provision due to un-winding of the discount due to the passage of time is recognised within finance costs.

(k) Employee benefits

The Company's employee benefits mainly include wages, salaries, bonuses, defined contribution to plans, defined benefit plans, other long-term benefits including compensated absences. The employee benefits are recognised in the year in which the associated services are rendered by the Company employees. Short-term employee benefits are recognised in statement of profit or loss and other comprehensive income at undiscounted amounts during the period in which the related services are rendered. Details of long-term employee benefits are provided below:

Defined contribution plans

The contributions to defined contribution plans are recognised in profit or loss as and when the services are rendered by employees. The Company has no further obligations under these plans beyond its periodic contributions.

Defined benefit plans

The Company has defined benefit plans and 'Severance Pay' wherein, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each quarter end. The obligation towards the said benefits is recognised in the balance sheet under provisions, at the present value of the defined benefit obligations. The present value of the said obligation is determined by discounting the estimated future cash outflows, using appropriate discount rate.

Defined benefit costs are split into the following categories:

- service costs, which includes current service cost, past service cost and gains and losses on curtailments and settlements.
- interest expense; and
- re-measurements.

3 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(k) Employee benefits (Continued)

Defined benefit plans (Continued)

The Company recognises service costs within profit or loss as employee benefit expenses. Past service, cost is recognised in profit or loss when the plan amendment or curtailment occurs. Gains or losses on settlement of a defined benefit plan are recognised when the settlement occurs. Interest cost is calculated by applying a discount rate to the defined benefit liability and is recognised within finance costs. Re-measurements comprising actuarial gains and losses are recognised immediately as a charge or credit to other comprehensive income in the period in which they occur. Re-measurements recognised in other comprehensive income are not reclassified.

Other long-term employee benefits

The employees of the Company are entitled to compensated absences as well as other long-term benefits. Compensated absences benefit comprises encashment and the availing of leave balances that were earned by the employees over the period of past employment.

The Company provides for the liability (presented under provisions) towards the said benefits on the basis of actuarial valuation carried out quarterly as at the reporting date, by an independent qualified actuary using the projected-unit-credit method. The related re-measurements are recognised in the statement of profit and loss in the period in which they arise.

Provident Fund

The Company contributes to the Staff Provident Fund. Under this scheme, the employee contributes 5% of their gross salary while the employer contributes 5% of each employee's gross salary. There is an option for employees to contribute over and above the mandatory 5%. The total remittance to the fund per month in respect of each employee is 10%. The contribution is charged to the statement of profit or loss and other comprehensive income in the year in which it is incurred.

National Social Security Fund

The Company contributes to the National Social Security Fund a National savings scheme mandated by Government. Under this scheme, the employee contributes 5% of their gross salary while the employer contributes 10% of each employee's gross salary to NSSF. The contribution is charged to the statement of profit or loss and other comprehensive income in the year in which it is incurred.

(l) Income tax

Income tax expense is the aggregate of the charge to the profit or loss in respect of current income tax and deferred tax. Tax is recognised in profit or loss account except to the extent that it relates to items recognised outside profit or loss, in other comprehensive income or directly in equity, in which case the related income tax is also recognised accordingly within other comprehensive income or directly in equity. Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the Ugandan Income Tax Act.

3 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(l) Income tax (Continued)

Deferred tax is recognised, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, the deferred tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred tax liability is settled. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred tax assets, recognised and unrecognised, are reviewed at each reporting date and assessed for recoverability based on best estimates of future taxable profits.

(m) Borrowing Cost

Borrowing costs consist of interest and other costs that the Company incurs in connection with the borrowing of funds. Borrowing costs include costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. All other borrowing costs are expensed in the period they occur.

(n) Financial instruments

Recognition, classification and presentation

Financial instruments are recognized in the statement of financial position when the Company becomes a party to the contractual provisions of the financial instrument.
The Company determines the classification of its financial instruments at initial recognition.

The Company classifies its financial assets into the following categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss); and
- those to be measured at amortized cost. The classification depends on the entity's business model for managing the financial assets and the contracttual terms of the cashflows

The Company has classified all non-derivative financial liabilities as measured at amortized cost.

Financial assets with embedded derivatives are considered in their entirety for determining the contractual terms of the cash flow and accordingly, embedded derivatives are not separated. However, derivatives embedded in non-financial instrument/financial liabilities (measured at amortized cost) host contracts are classified as separate derivatives if their economic characteristics and risks are not closely related to those of the host contracts.

3 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(n) Financial instruments (Continued)

Recognition, classification and presentation (Continued)

Financial assets and liabilities arising from different transactions are off-set against each other and the resultant net amount is presented in the statement of financial position, if and only when, the Company currently has a legally enforceable right to set-off the related recognized amounts and intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

Measurement - Non-derivative financial instruments

(i) Initial measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Other transaction costs are expensed as incurred in the statement of profit or loss and other comprehensive income.

(ii) **Subsequent measurement - financial assets**

The subsequent measurement of non-derivative financial assets depends on their classification as follows:

Financial assets measured at amortised cost

Assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost using the effective interest rate ('EIR') method (if the impact of discounting/any transaction costs is significant). Interest income from these financial assets is included in finance income.

EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or to the amortised cost of a financial liability.

Financial assets at fair value through profit or loss ('FVTPL')

All equity instruments and financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income ('FVTOCI') are measured at FVTPL. Interest (basis EIR method) and dividend income from financial assets at FVTPL is recognised in the profit and loss within finance income/finance costs separately from the other gains/losses arising from changes in the fair value.

3 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(n) Financial instruments (Continued)

(ii) Subsequent measurement - financial assets (Continued)

Impairment

The Company assesses on a forward-looking basis the expected credit losses associated with its assets carried at amortised cost and debt instrument carried at FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk since initial recognition. If credit risk has not increased significantly, 12 month expected credit loss ('ECL') is used to provide for impairment loss, otherwise lifetime ECL is used.

However, only in case of trade receivables and contract assets, the Company applies the simplified approach which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(iii) Subsequent measurement - financial liabilities

Financial liabilities are subsequently measured at amortised cost using the EIR method (if the impact of discounting/any transaction costs is significant).

Measurement - derivative financial instruments

Derivative financial instruments, including separated embedded derivatives that are not designated as hedging instruments in a hedging relationship are classified as financial instruments at fair value through profit or loss. Such derivative financial instruments are initially recognised at fair value. They are subsequently measured at their fair value, with changes in fair value being recognised in profit or loss within finance income/finance costs.

(iv) Derecognition

Financial liabilities are derecognised from the statement of financial position when the underlying obligations are extinguished, discharged, lapsed, cancelled, expires, or legally released. The financial assets are derecognised from the statement of financial position when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. The difference in the carrying amount and consideration is recognised in the statement of profit or loss and other comprehensive income.

(o) Impairment of non-financial assets

Goodwill

Goodwill is tested for impairment, at least annually or earlier, in case circumstances indicate that the carrying value may exceed the recoverable amount (higher of fair value less costs of sell and the value -in-use).

3 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(o) Impairment of non-financial assets

Goodwill (Continued)

For the purpose of impairment testing, the goodwill is allocated to a cash-generating-unit ('CGU') or group of CGUs ('CGUs') which are expected to benefit from the acquisition-related synergies and represent the lowest level within the entity at which the goodwill is monitored for internal management purposes, but not higher than an operating segment. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets.

Impairment occurs when the carrying value of a CGU/CGUs including the goodwill, exceeds the estimated recoverable amount of the CGU/CGUs. The recoverable amount of a CGU/CGUs is the higher of its fair value less costs to sell and its value in use. Value-in-use is the present value of future cash flows expected to be derived from the CGU/CGUs.

The total impairment loss of a CGU/CGUs is allocated first to reduce the carrying value of goodwill allocated to that CGU/CGUs and then to the other assets of that CGU/CGUs - on pro-rata basis of the carrying value of each asset.

Property, plant and equipment, Right-of-use assets, Intangible assets and intangible assets under development

At each reporting period date, the Company reviews the carrying amounts of its PPE, right-of-use assets, CWIP and finite lived intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. Intangible assets under development are tested for impairment, at-least annually or earlier, in case circumstances indicate that it may be impaired.

For the purpose of impairment testing, the recoverable amount (that is, higher of the fair value less costs to sell and the value-in-use) is determined on an individual asset basis, unless the asset does not generate cash flows that are largely independent of those from other assets, in which case the recoverable amount is determined at the CGU level to which the said asset belongs. If individual assets or a CGU are considered to be impaired, the impairment recognised in the statement of profit or loss and other comprehensive income is measured by the amount by which the carrying value of the asset/CGU exceeds the estimated recoverable amount and is allocated on pro-rata basis.

Reversal of impairment losses

Impairment loss in respect of goodwill is not reversed. For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss.

3 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(p) Asset Retirement obligation (ARO)

This is a provision for costs expected in the future to dismantle telecommunication towers and retail shops and restore the sites to their condition prior to installation of the Company's equipment. The costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the particular asset.

The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the asset retirement liability. The unwinding of the discount is expensed as incurred and recognised in profit or loss as a finance cost. The estimated future costs of ARO are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

(q) Investment property

This is property held to earn rental income or capital appreciation or for both, but not for sale in the ordinary course of business, or administration purposes. Investment property is measured at cost.

(r) Statement of cash flow

Cash flows are reported using the indirect method as per IAS-7" Statement of cash flows", whereby profit for the period is adjusted for the effect of transactions of a non-cash nature, any deferral or accrual of past or future cash operating receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities are segregated.

(s) Share capital and Share premium

Issued ordinary shares are classified as Equity when the Company has an un-conditional right to avoid delivery of cash or another financial asset, that is, when the dividend and repayment of Capital are at the sole and absolute discretion of the Company and there is no contractual obligation whatsoever to that effect. Any premium received over and above the par value of the shares is classified as 'share premium' in Equity.

(t) Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification.

Deferred tax assets and liabilities, and all assets and liabilities which are not current (as discussed in the below paragraphs) are classified as non-current assets and liabilities.

An asset is classified as current when it is expected to be realised or intended to be sold or consumed in the Company's normal operating cycle, held primarily for the purpose of trading, expected to be realised within twelve months after the reporting period, or cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

3 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(t) Current versus non-current classification (Continued)

A liability is classified as current when it is expected to be settled in the Company's normal operating cycle, it is held primarily for the purpose of trading, it is due to be settled within 12 months after the reporting period, or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

(u) Contingencies

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are not recognised and disclosed only where an inflow of economic benefits is probable.

(v) Dividends

Dividend to shareholders is recognised as a liability and deducted from Equity, in the year in which the dividends are approved by the shareholders. However, interim dividends declared by the Board of directors, are recognised as a liability, and deducted from retained earnings, in the year in which the dividends are so declared.

(w) Earnings Per Share

The Company presents the Basic and diluted earnings per share ("EPS") data. Basic EPS is computed by dividing the profit for the period attributable to the owners of the company by the weighted average number of shares outstanding during the period.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the weighted average number of additional ordinary shares that would have been outstanding outstanding during the period.

4 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

(a) Key sources of estimation uncertainty

Contingent liabilities and provisions

The Company is involved in various legal, tax and regulatory matters, the outcome of which may not be favorable to the Company. Management in consultation with the legal, tax and other advisers assess the likelihood that a pending claim will succeed. The Company has applied its judgement and has recognized liabilities based on whether additional amounts will be payable and has included contingent liabilities where economic outflows are considered possible but not probable.

(b) Critical judgements in applying the Company's accounting policies

The critical judgements, which the management has made in the process of applying the Company's accounting policies and have the most significant impact on the amounts recognised in the Financial Statements, are discussed below:

Separating lease and non-lease components

The consideration paid by the Company in telecommunication towers lease contracts include the use of land and passive infrastructure as well as maintenance, security, provision of energy etc. services. Therefore, in determining the allocation of consideration between lease and non-lease components, for the additional services that are not separately priced, the Company performs detailed analysis of cost split to arrive at relative stand-alone prices of each of the components.

Determining the incremental borrowing rate for lease contracts

The Company has recognised lease liabilities at present value using the incremental borrowing rate (IBR) based on considerations specific to the lease agreement. Since determination of incremental borrowings is not directly available for the given markets in which Company operates, the Company has used judgement in determining the IBR by taking into consideration risk free borrowing rate.

Determining the lease term

Under IFRS 16 if it is reasonably certain that a lease will be extended, the Company is required to estimate the expected lease period in excess of the current contractual terms. The Company has various lease agreements with a right to extend /renew wherein it considers the nature of the contractual terms and economic factors to determine lease term.

The Company has used judgement in determining the lease period considering such factors and the lease liability has been calculated using the remaining contractual lease period for all of such lease contracts.

5 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company has liabilities in the form of borrowings, trade and other payables as well as receivables in the form of loans, cash, deposits, trade and other receivables. These arise as a part of the business activities and operations of the Company. The business activities of the Company exposes it to a variety of financial risks, namely market risks (that is, foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

Further, the Company uses certain derivative financial instruments to mitigate some of these risk exposures. The Company's senior management oversees the management of these risks. The senior professionals working to manage the financial risks and the appropriate financial risk governance framework for the Company are accountable to the Board of directors and the Audit and Risk Committee. The Company's senior management is primarily responsible for matters, including framing of policies and execution procedures as well as laying down the risk framework mechanisms for the treasury function that will help the company to achieve its strategic financial goals, balancing opportunity, prudence and initiative with risk control measures. This provides assurance to the Company that the Company's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Company policies and Company's risk appetite. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Company's policy that no trading in derivatives for speculative purposes shall be undertaken.

a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk – currency rate risk, interest rate risk and other price risks, such as equity risk. Financial instruments affected by market risk include loans and borrowings, deposits, investments, and derivative financial instruments.

The Company's activities expose it to a variety of financial risks, including the effects of changes in foreign currency exchange rates and interest rates. The Company uses foreign exchange forward contracts to manage its exposures to foreign exchange fluctuations.

(i) Foreign exchange risk

The Company operates locally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from adverse changes in the local / operating currency rates to other foreign currencies for which commercial transactions occur in the course of operation and from recognised assets and liabilities.

The Company's foreign exchange risk management includes foreign exchange forward contracts, regular monitoring of the movement of exchange rates and continuous negotiations with all local suppliers to have contracts in local currency.

5 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

Foreign Currency Exposure

	2023 Ushs millions	2022 Ushs millions
Assets		
Cash & cash equivalents	3,962	6,032
Trade receivables	90,982	69,140
Other receivables	4,055	9,039
Total assets	**98,999**	**84,211**
Liabilities		
Trade payables	42,870	48,795
Borrowings	-	148,800
Lease liabilities	548,385	664,360
Other financial liabilities	153,414	112,798
Total liabilities	**744,669**	**974,753**
Net USD exposure	**(645,670)**	**(890,542)**

At 31 December 2023, if the Uganda Shilling had weakened/strengthened by 5% to Ushs/USD 3,968 and 3,590 respectively against the US Dollar with all other variables held constant, opposed to exchange rate prevailing as at year end (Ushs/USD 3779), pre-tax profit for the year would have been as follows.

	Increase/decrease in the value of Ushs vs. USD	Effect on profit before tax Ushs millions	Effect on Profit after tax and equity Ushs millions
Net effect based as at at 31 Dec 2023	5%	(32,284)	(22,598)
	-5%	32,284	22,598

	Increase/decrease in the value of Ushs vs. USD	Effect on profit before tax Ushs millions	Effect on Profit after tax and equity Ushs millions
Net effect based as at 31 Dec 2022	5%	(44,527)	(31,169)
	-5%	44,527	31,169

Price risk

The Company does not hold any financial instruments subject to price risk.

(i) Cash flow and interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's interest-bearing debt obligations with floating interest rates. Further, the Company engages in financing activities which are dependent on market rates and any changes in the interest rates environment may impact future rates of borrowing. The Company monitors the interest rate movement and manages the interest rate risk based on its risk management policies. The Company also maintains a portfolio mix of floating and fixed rate debt.

5 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

a) Market risk (Continued)

At 31 December 2023, if the Interest rate would decrease/increase by 1% of total borrowing with all other variables held constant, pre-tax profit for the year would have been increased/decreased by Ushs 6,932 million (2022: Ushs 6,288 million) mainly as a result of interest rate change.

(b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities, primarily from trade receivables but also from banks balances and other financial receivables.

Trade Receivables

Trade receivables are typically non-interest bearing unsecured and derived from sales made to a large number of independent customers. As the customer base is widely distributed both economically and geographically, there is no concentration of credit risk.

As independent credit ratings of customers is not available. The Company reviews the creditworthiness of its customers based on their financial position, past experience, ageing and other factors.

Credit risk related to trade receivables is managed/mitigated by the Company in accordance with the policies and procedures established by the Company, by setting appropriate payment terms and credit period, and by setting and monitoring internal limits on exposure to individual customers. The credit period provided by the Company to its customers is generally 30 days.

The Company uses an age-based provision policy to measure the expected credit loss of trade receivables, which comprise a very large numbers of small balances. Based on the industry practices and the business environment in which the Company operates, management considers trade receivables are credit impaired if the payments are more than 270 days past due in case of interconnect customers and 90 days past due in other cases.

The Company offers standard credit terms of 30 days for its customers. All receivables less than 30 days are therefore neither past due nor impaired whilst receivables between 31 to 90 days are deemed past due but not impaired.

The amount that best represents the Company's maximum exposure to credit risk at 31 December is made up as follows:

	2023 Ushs millions	2022 Ushs millions
Bank Balances	14,288	22,279
Trade Receivables	15,991	26,168
Leaseline receivables	8,349	7,148
Roaming receivables	4,090	1,642
Amounts due from related parties	86,991	57,560
Other financial assets	24,636	9,103
	154,345	**123,900**

5 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Credit risk (Continued)

The ageing of the trade and other receivables is shown below:

	Not Past Due	Past Due					
	Less than 30 days	30 to 60 days	60 to 90 days	Above 90 days	Total	Impairment	Net
	Ushs millions	Ushs millions	Ushs millions	Ushs millions	Ushs millions	Ushs millions	Ushs millions
31 Dec 2023	29,776	4,879	14,708	90,695	140,057	16,940	123,117
31 Dec 2022	3,269	13,073	2,850	82,429	101,621	16,868	84,753

Collateral

There are collateral/security deposits held whose fair value is the cash amount paid which is equivalent to Ushs 4,404 million (2022: Ushs 4,391 million) and whose credit quality of assets is not past due. All receivables that are neither past due nor impaired are within their approved credit limits, and no receivables have had their terms renegotiated.

Other financial instruments and cash deposits

The treasury, in accordance with the Board approved policy, maintains its cash and cash equivalents and deposits and enters into derivative financial instruments – with banks, financial and other institutions, having good reputation and past track record, and high/sovereign credit rating. Similarly, counterparties of the Company's other receivables carry either negligible or very minimal credit risk. Further, the Company reviews the creditworthiness of the counterparties (on the basis of its ratings, credit spreads and financial strength) on an ongoing basis, and if required, takes necessary mitigation measures.

(c) Liquidity risk

Liquidity risk is the risk that the Company may not be able to meet its present and future obligations as and when due, without incurring unacceptable losses. The Company's prudent liquidity risk management objective is to at all times maintain optimum levels of liquidity to meet its cash and collateral requirements. The Company closely monitors its liquidity position and deploys a robust cash management system. It maintains adequate sources of financing, including term loans and overdraft from both domestic and international banks at an optimised cost. For details on borrowings refer to Note 22.

The table below analyses the Company's financial liabilities that will be settled into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

The amounts disclosed in the breakdown below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

5 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Liquidity risk (Continued)

At 31 December 2023	<1 year Ushs millions	1-2 years Ushs millions	>2 years Ushs millions	Total Ushs millions
Financial assets				
Trade receivables	98,481	-	-	98,481
Other receivables	24,636	-	-	24,636
Cash and Cash equivalents	34,345	-	-	34,345
	157,462	-	-	157,462
Financial liabilities				
Trade payables	194,379	-	-	194,379
Borrowings	401,747	31,429	260,000	693,176
Lease Liabilities	220,328	157,521	602,941	980,790
Other financial liabilities	45,336	4,463	147,255	197,054
Total financial liabilities	861,790	193,413	1,010,196	2,065,399
Net liquidity gap	**(704,328)**	**(193,413)**	**(1,010,196)**	**(1,907,937)**

	<1 year Ushs millions	1-2 years Ushs millions	>2 years Ushs millions	Total Ushs millions
At 31 December 2022				
Total financial assets	119,957	-	-	119,957
Total financial liabilities	690,250	321,631	764,218	1,776,099
Net liquidity gap	(570,293)	(321,631)	(764,218)	(1,656,142)

During the year ended 31 December 2023, the Company earned a net profit of Ushs 296,950 million (2022: Ushs 325,703 million). As at that date, the Company was in a net current liability position of Ushs 679,590 Mn (2022: Ushs 568,416 Mn) as indicated above. The company's business runs on a majority cash model (pre-paid revenue) hence has the capability to generate sufficient operating cashflows to meet all its obligations as they fall due. The net operating cash inflow for the year ended 31 December 2023 was Ushs 733,505 million (2022: Ushs 705,311 million) i.e. much higher than the net current liability position indicated above. The operating cashflows combined with sufficient approved external sources of financing (overdraft facilities) as at 31 December 2023 provide sufficient liquidity to the Company to meet all obligations as they fall due.

Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to maximise returns for Shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may issue new capital or sell assets or change who holds the risks and benefits of the assets say through leasing or consignment stock arrangements to reduce debt. The Company monitors capital, and its objective is improving on the leverage ratio over time. The Company monitors capital using a leverage ratio, which is net debt divided by Earnings before Interest Depreciation and Tax (EBITDA). Net debt is calculated as borrowings and leases less cash and cash equivalents.

5 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Liquidity risk (Continued)

Capital Management (Continued)

The leverage ratios at 31 December were as follows:

	2023 Ushs millions	2022 Ushs millions
Total borrowings	693,176	628,835
Total Lease Obligation	785,219	690,844
Less: Cash and Cash equivalents	(34,345)	(35,204)
Net Debt	**1,444,050**	**1,284,475**
EBITDA	918,391	888,009
Leverage ratio (x)	1.6	1.4

6 REVENUE

	2023 Ushs millions	2022 Ushs millions
Service revenues	1,769,392	1,589,101
Sale of products	7,915	5,170
	1,777,307	**1,594,271**

6(a) SERVICE REVENUE

	2023 Ushs millions	2022 Ushs millions
Airtime revenue	899,360	869,824
Value added services and data revenue	775,681	656,847
Interconnect revenue	80,646	53,580
Roaming revenue	13,705	8,850
	1,769,392	**1,589,101**

Primary commissions (Trade Discount) is discount provided to distributors on the sales price of Recharge Vouchers or E-top-ups. The discount is calculated as a percentage of the sales price and is contractually defined per contracts in place between the Company and the Distributors. The Company recognises revenue net of this commission expenses in line with IFRS 15.

Performance Obligations that are unsatisfied (or partially unsatisfied) amounting to Ushs 40,153 million as at 31 December 2023 (Ushs 47,738 million as at 31 December 2022), of which Ushs 29,085 million will be satisfied over a period of one year and the remaining Ushs 11,068 million over 8 years 3 months (revenue of Ushs 1,545 million to be recognised on annual basis). Revenue recognised that was included in the deferred revenue balance at the beginning of the year is Ushs 35,125 million (2022: Ushs 21,585 million). Total unbilled as at 31 December 2023 is Ushs 24,617 million (2022:Ushs 9,055 million)

6 REVENUE (CONTINUED)

6(b) OTHER INCOME

	2023 Ushs millions	2022 Ushs millions
Miscellaneous income	6,653	5,627
	6,653	**5,627**

7(a) SALES AND MARKETING

	2023 Ushs millions	2022 Ushs millions
Sales and distribution expense	171,548	152,531
Marketing expenses	27,229	25,273
	198,777	**177,804**

7(b) NETWORK OPERATING COSTS

	2023 Ushs millions	2022 Ushs millions
Site running expenses	241,751	186,640
Network support and maintenance	62,865	56,755
Internet access and bandwidth	9,859	7,965
	314,475	**251,360**

7(c) EMPLOYEE BENEFIT EXPENSES

	2023 Ushs millions	2022 Ushs millions
Salaries	69,039	70,096
Defined contribution plan	6,097	5,468
Defined benefit plan	163	685
Staff welfare expenses	8,013	7,654
Others	256	1,055
	83,568	**84,958**

7(d) OTHER OPERATING EXPENSES

	2023 Ushs millions	2022 Ushs millions
Cost of goods sold	9,421	8,128
Office repair and maintenance	4,290	4,063
Legal and professional fees	55,845	44,048
Rates and taxes	5,186	2,421
Content cost	47,936	30,876
IT expenses	9,127	6,881
Travel and conveyance	10,715	8,876
Customer care expenses	7,486	7,402
Charitable donation	-	215
Auditor's remuneration	767	544
Others	8,401	3,198
	159,174	**116,652**

8 DEPRECIATION & AMORTISATION

	2023	2022
	Ushs millions	Ushs millions
Depreciation on property, plant and equipment (Note 11)	154,469	137,558
Depreciation of right of use assets (Note 12)	140,143	104,080
Amortization of intangible assets (Note 14)	32,125	30,817
	326,737	272,455

9 FINANCE INCOME / COSTS

(a) Finance income

	2023	2022
	Ushs millions	Ushs millions
Interest income on deposits	1,021	388
Interest income on others	-	8
Net unrealised exchange gain	9,255	-
	10,276	396

(b) Finance costs

	2023	2022
	Ushs millions	Ushs millions
Interest on borrowings	80,684	54,244
Interest on lease liabilities	54,215	40,840
Interest on deferred spectrum	9,458	7,923
Net realised exchange loss	27,588	18,265
Net unrealised exchange loss	-	19,861
Other finance charges (realised)	3,100	1,217
	175,045	142,350

10 TAXATION

(a) The Tax expense for the year is attributed to the following

	2023	2022
Income tax expense	Ushs millions	Ushs millions
Current tax expense	121,890	140,718
Deferred tax expense	7,542	6,905
Current tax expense – Rental Income	503	274
	129,935	147,897

10 TAXATION (CONTINUED)

(b) The reconciliation between the amounts computed by applying the statutory income tax rate to the profit before tax

	2023 Ushs millions	2022 Ushs millions
Profit before tax	**426,885**	**473,600**
Enacted tax rates in Uganda	30%	30%
Tax expense	128,066	142,080
Effect of:		
Tax effect of prior year adjustments	1,188	5,905
(Income) / expense not (taxable) / deductible (net)	681	(88)
	129,935	**147,897**

(c) Income tax asset / (Income tax payable) (net)

Income tax recoverable of Ushs 5,406 million (2022: payable Ushs 9,910 million).

	2023 Ushs millions	2022 Ushs millions
Opening balance	(9,910)	3,236
Tax Paid	137,708	144,007
Income tax expense	(122,393)	(140,992)
Tax Refund	-	(11,732)
Adjustment based on tax audits	-	(2,693)
Interest based on tax audits	-	(1,736)
	5,406	**(9,910)**

(d) Deferred tax

	At 1-Jan-23 Ushs million	Movement for the year Ushs million	At 31-Dec-23 Ushs million
Accelerated tax depreciation	112,651	6,987	119,638
Unrealised exchange gain/(loss)	2,336	(2,959)	(623)
Other temporary differences	(22,341)	3,514	(18,827)
Net deferred tax Liability	**92,646**	**7,542**	**100,188**

	At 1-Jan-22 Ushs million	Movement for the year Ushs million	At 31-Dec-22 Ushs million
Accelerated tax depreciation	100,013	12,638	112,651
Unrealised exchange gain/(loss)	(5,872)	8,208	2,336
Other temporary differences	(8,400)	(13,941)	(22,341)
Net deferred tax Liability	**85,741**	**6,905**	**92,646**

(e) Income tax paid

	2023 Ushs millions	2022 Ushs millions
Income taxation paid		
Current Tax – Rental Income	(440)	(248)
Withholding Tax Paid	(94)	(622)
Advance Tax Paid	(121,188)	(128,768)
Final Tax for 2022/2021	(15,986)	(14,369)
Income Tax Paid	**(137,708)**	**(144,007)**

For 2022, Income tax paid within the Cashflow statement amounting to Ushs 127,845 millions includes, the payment of taxes amounting to Ushs 144,007 millions netted off by recoveries of taxes (on account of Refund audit closure of FY 2018) amounting to Ushs 11,733 millions. The adjustments based on tax audit closure was Ushs 2,693 millions and related interest of Ushs 1,736 millions was recorded under Other Finance Charges.

11 PROPERTY PLANT AND EQUIPMENT

	Plant and Machinery Ushs millions	Buildings and leasehold improvements Ushs millions	Office equipment and furniture Ushs millions	Computer Ushs millions	Vehicle Ushs millions	Total Ushs millions	Capital work in progress Ushs millions	Grand total Ushs millions
COST								
At 1 January 2023	1,579,834	27,539	46,487	188,912	2,920	1,845,692	40,930	1,886,622
Additions	-		-	-	-	-	245,663	245,663
Disposal	(1,061)	-	-	-	-	(1,061)		(1,061)
Transfer from CWIP	218,484	210	12,995	13,016	439	245,145	(245,145)	-
At 31 December 2023	1,797,257	27,749	59,482	201,928	3,359	2,089,775	41,448	2,131,223
ACCUMULATED DEPRECIATION								
At 1 January 2023	941,280	20,066	35,461	172,012	1,883	1,170,702	-	1,170,702
Disposal	(267)	-	-	-	-	(267)	-	(267)
Reclassifications	(3)	-	-	3	-		-	
Charge for the year	132,520	1,076	9,033	11,436	404	154,469	-	154,469
At 31 December 2023	1,073,530	21,142	44,494	183,451	2,287	1,324,904	-	1,324,904
NET CARRYING AMOUNT								
At 31 December 2023	723,727	6,607	14,988	18,477	1,072	764,871	41,448	806,319
COST								
At 1 January 2022	1,373,075	27,539	35,354	175,011	2,172	1,613,151	48,887	1,662,038
Additions	-	-	-	-	-	-	225,845	225,845
Disposal	(1,261)	-	-	-	-	(1,261)	-	(1,261)
Transfer from CWIP	208,020	-	11,133	13,901	748	233,802	(233,802)	-
At 31 December 2022	1,579,834	27,539	46,487	188,912	2,920	1,845,692	40,930	1,886,622
ACCUMULATED DEPRECIATION								
At 1 January 2022	822,739	18,989	29,051	161,178	1,513	1,033,470	-	1,033,470
Disposal	(326)	-	-	-	-	(326)	-	(326)
Charge for the year	118,867	1,077	6,410	10,834	370	137,558	-	137,558
At 31 December 2022	941,280	20,066	35,461	172,012	1,883	1,170,702	-	1,170,702
NET CARRYING AMOUNT								
At 31 December 2022	638,554	7,473	11,026	16,900	1,037	674,990	40,930	715,920

12 RIGHT OF USE ASSETS

	Land and Building Ushs millions	Plant and machinery Ushs millions	Motor vehicles Ushs millions	Grand total Ushs millions
COST				
At 1 January 2023	**15,531**	**1,006,514**	**3,684**	**1,025,729**
Additions	40,964	170,772	-	211,736
At 31 December 2023	**56,495**	**1,177,286**	**3,684**	**1,237,465**
ACCUMULATED DEPRECIATION				
At 1 January 2023	**12,181**	**408,588**	**3,684**	**424,453**
Charge for the year	1,522	138,621	-	140,143
At 31 December 2023	**13,703**	**547,209**	**3,684**	**564,596**
NET CARRYING AMOUNT				
At 31 December 2023	**42,792**	**630,077**	**-**	**672,869**
COST				
At 1 January 2022	**15,476**	**723,673**	**3,684**	**742,833**
Additions	55	284,535	-	284,590
Retirement	-	(1,694)	-	(1,694)
At 31 December 2022	**15,531**	**1,006,514**	**3,684**	**1,025,729**
ACCUMULATED DEPRECIATION				
At 1 January 2022	**10,653**	**306,577**	**3,684**	**320,914**
Charge for the year	1,528	102,552	-	104,080
Retirement	-	(541)	-	(541)
At 31 December 2022	**12,181**	**408,588**	**3,684**	**424,453**
NET CARRYING AMOUNT				
At 31 December 2022	**3,350**	**597,926**	**-**	**601,276**

13 INVESTMENT PROPERTY

COST	**2023 Ushs million**	**2022 Ushs million**
At 1 January	1,116	1,116
At 31 December	**1,116**	1,116
ACCUMULATED DEPRECIATION		
At 1 January	1,116	1,116
At 31 December	**1,116**	1,116
NET CARRYING AMOUNT	-	-

The investment property located on Plot 40, Wampewo Avenue, Kampala has been rented out to multiple tenants since 2017. The Company applies the cost model for its investment property and therefore the investment property is not fair valued by an independent valuer.
Included in the Profit and Loss are the following incomes in relation to investment property;

	2023 Ushs million	**2022 Ushs million**
Rental Income	1,734	1,327

14 INTANGIBLE ASSETS

	Licence Ushs millions	Goodwill Ushs millions	Customer base Ushs millions	Dealer network Ushs millions	Grand total Ushs millions
COST					
At 1 January 2023	**373,563**	**112,908**	**3,633**	**1,592**	**491,696**
Additions	44,223	-	-	-	44,223
At 31 December 2023	**417,786**	**112,908**	**3,633**	**1,592**	**535,919**
ACCUMULATED DEPRECIATION					
At 1 January 2023	**77,277**	**-**	**3,633**	**1,592**	**82,502**
Charge for the year	32,125	-	-	-	32,125
At 31 December 2023	**109,402**	**-**	**3,633**	**1,592**	**114,627**
NET CARRYING AMOUNT					
At 31 December 2023	**308,384**	**112,908**	**-**	**-**	**421,292**
COST					
At 1 January 2022	**373,563**	**112,908**	**3,633**	**1,592**	**491,696**
Additions	-	-	-	-	-
At 31 December 2022	**373,563**	**112,908**	**3,633**	**1,592**	**491,696**
ACCUMULATED DEPRECIATION					
At 1 January 2022	**46,460**	**-**	**3,633**	**1,592**	**51,685**
Charge for the year	30,817	-	-	-	30,817
At 31 December 2022	**77,277**	**-**	**3,633**	**1,592**	**82,502**
NET CARRYING AMOUNT					
At 31 December 2022	**296,286**	**112,908**	**-**	**-**	**409,194**

The intangible additional of Ushs 44,223 million related to purchase of additional spectrum during the year.

15 OTHER NON-FINANCIAL ASSETS

	2023 Ushs millions	2022 Ushs millions
Non-current		
Prepaid expenses	13,788	15,454
Cost to obtain customers	45,358	33,797
Restricted Assets	7,425	2,128
	66,571	**51,379**
Current		
Prepaid expenses	3,049	11,649
Vat recoverable	3,303	4,592
Advance to suppliers	8,482	11,775
Cost to obtain customers	48,239	32,780
Others	4,121	6,432
	67,194	**67,228**

16 INVENTORIES

	2023 Ushs millions	2022 Ushs millions
Telephones and accessories	2,744	8,580
Sim cards and scratch cards	1,737	3,914
Less: provision for inventories	(1,036)	(7,047)
	3,445	**5,447**
The movement in the stock provision was as follows:		
Opening balance	7,047	932
Additions	1,069	11,406
Utilisations	(7,080)	(5,291)
Closing Balance	**1,036**	**7,047**

17 TRADE RECEIVABLES

	2023 Ushs millions	2022 Ushs millions
Trade Receivables	15,991	26,168
Leaseline receivables	8,349	7,148
Roaming Receivables	4,090	1,642
Trade receivable from related parties (Note 20)	86,991	57,560
	115,421	**92,518**
Provision for impairment	(16,940)	(16,868)
	98,481	**75,650**

17 TRADE RECEIVABLES (CONTINUED)

Trade receivables represent amounts due from channel partners, corporate customers, and post-paid customers.

Roaming receivable represents the amounts outstanding with operators whose customers use the network of the Company while travelling to Uganda and balances are being settled on monthly basis through clearing house.

Movement in the provision for impairment of trade receivables and other receivables is as follows:

	2023 Ushs millions	2022 Ushs millions
Opening balance	16,868	17,882
Movement in expected credit losses	1,242	(1,014)
Write offs	(1,170)	-
Closing balance	**16,940**	**16,868**

18 CASH AND CASH EQUIVALENTS

	2023 Ushs millions	2022 Ushs millions
Bank balance	14,288	7,399
Balance held in wallets	20,057	12,924
Short-term deposits	-	14,880
	34,345	**35,204**

	2023 Ushs millions	2022 Ushs millions
Cash and bank balances	34,345	35,204
Less overdrafts (note 22)	(331,264)	(224,555)
TOTAL	**(296,919)**	**(189,351)**

19 FINANCIAL ASSETS - OTHERS

	2023 Ushs millions	2022 Ushs millions
Current		
Unbilled revenue	24,617	9,055
Others	19	48
	24,636	**9,103**

20 RELATED PARTY DISCLOSURES

Airtel Uganda PLC is part of the Bharti Airtel Group of Companies. The Group's direct shareholders owning 89% are Bharti Airtel Uganda Holdings B.V., a Group incorporated and domiciled in the Netherlands. Ultimate controlling entity is Bharti Enterprises (Holding) Private Limited. It is held by private trusts of Bharti family, with Mr. Sunil Mittal's family trust effectively controlling the Group.

Name of related party a) Purchase of good and services	Relationship to Company	2023 Ushs millions	2022 Ushs millions
Airtel (Seychelles) Limited	Fellow subsidiary	12	17
Airtel DRC Limited	Fellow subsidiary	125	322
Airtel Congo S. A.	Fellow subsidiary	1	8
Airtel Gabon S. A.	Fellow subsidiary	1	1
Airtel Madagascar S. A.	Fellow subsidiary	1	22
Airtel Malawi Public Limited	Fellow subsidiary	10	67
Airtel Mobile Commerce Uganda Limited	Fellow subsidiary	206,208	161,813
Airtel Networks Kenya Limited	Fellow subsidiary	1,768	10,221
Airtel Networks Limited (Nigeria)	Fellow subsidiary	-	219
Airtel Networks Zambia Plc	Fellow subsidiary	15	35
Celtel Niger S.A.	Fellow subsidiary	4	1
Airtel Rwanda Limited	Fellow subsidiary	410	1,166
Airtel Tanzania Limited	Fellow subsidiary	209	344
Airtel Tchad Limited	Fellow subsidiary	2	2
Bharti Airtel International (Netherlands) BV Branch	Intermediate Parent	7	4,640
Bharti Airtel Limited	Intermediate Parent	13,132	13,403
Bharti Airtel Services Limited	Fellow subsidiary	69	-
Bharti Airtel (UK) Limited	Fellow subsidiary	-	645
Bharti Hexacom Limited	Fellow subsidiary	4	1
Centum Learning Limited	Fellow subsidiary	832	906
Airtel Africa Services UK Limited	Fellow subsidiary	49,444	30,346
Network I2I Limited	Intermediate Parent	1,036	822
Nxtra Data Limited	Fellow subsidiary	102	545
Emtel Limited	Fellow subsidiary	1	
Airtel Africa Telesonic Limited - Dubai Branch	Fellow subsidiary	2,025	-
		275,418	225,546

20 RELATED PARTY DISCLOSURES (Continued)

Name of related party b) Sales of goods and services	Relationship to Company	2023 Ushs millions	2022 Ushs millions
Airtel Networks Zambia Plc	Fellow subsidiary	11	27
Airtel Networks Kenya Limited	Fellow subsidiary	1,649	3,257
Airtel Malawi Public Limited	Fellow subsidiary	103	-
Airtel Tanzania Limited	Fellow subsidiary	210	1,330
Airtel Madagascar S. A.	Fellow subsidiary	21	-
Airtel Congo S. A.	Fellow subsidiary	6	-
Airtel (Seychelles) Limited	Fellow subsidiary	9	-
Airtel Networks Limited (Nigeria)	Fellow subsidiary	657	509
Airtel Gabon S. A.	Fellow subsidiary	1	1
Airtel Tchad Limited	Fellow subsidiary	6	5
Celtel Niger S.A.	Fellow subsidiary	-	4
Airtel DRC Limited	Fellow subsidiary	3,820	3,888
Airtel Rwanda Limited	Fellow subsidiary	431	17,783
Bharti Airtel Limited	Intermediate Parent	31,581	32,109
Bharti Airtel Uganda Holdings B.V.	Holding Company	6,520	-
Bharti Airtel (UK) Limited	Fellow subsidiary	11,939	9,159
Singapore Telecommunication Limited	Other related party	16	-
Bharti Hexacom Limited	Fellow subsidiary	1	-
Airtel Mobile Commerce Uganda Limited	Fellow subsidiary	29,230	22,138
Bharti Airtel International (Netherlands) BV Branch	Intermediate Parent	5	31
		86,216	**90,241**

Name of related party c) Amounts due from related parties	Relationship to Company	2023 Ushs millions	2022 Ushs millions
Airtel Networks Kenya Limited	Fellow subsidiary	1,287	1,872
Airtel Malawi Public Limited	Fellow subsidiary	657	640
Airtel Tanzania Limited	Fellow subsidiary	1,181	1,219
Airtel Networks Limited (Nigeria)	Fellow subsidiary	1,722	286
Airtel Gabon S. A.	Fellow subsidiary	1	-
Airtel Rwanda Limited	Fellow subsidiary	25,425	24,407
Bharti Airtel Limited	Intermediate Parent	3,618	4,258
Singapore Telecommunication Limited	Other related party	45	2
Bharti Airtel (UK) Limited	Fellow subsidiary	29,917	18,392
Airtel DRC Limited	Fellow subsidiary	14,978	2,626
Bharti Hexacom Limited	Fellow subsidiary	-	1
Bharti Airtel Uganda Holdings B.V.	Holding Company	6,520	-
Airtel Tchad Limited	Fellow subsidiary	7	9
Bharti Airtel International (Netherlands) BV Branch	Intermediate Parent	1,519	3,736
Airtel Congo S. A.	Fellow subsidiary	114	112
Total due from related parties		**86,991**	**57,560**

20 RELATED PARTY DISCLOSURES (Continued)

Name of related party **d) Amounts due to related parties**	**Relationship to Company**	**2023** **Ushs millions**	**2022** **Ushs millions**
Airtel Networks Zambia Plc	Fellow subsidiary	29	11
Network I2I Limited	Intermediate Parent	2,205	1,350
Airtel Madagascar S. A.	Fellow subsidiary	1	-
Bharti Airtel Services Limited	Fellow subsidiary	78	76
Nxtra Data Limited	Fellow subsidiary	84	116
Centum Learning Limited	Fellow subsidiary	103	83
Bharti International (Singapore) Pte Ltd	Fellow subsidiary	-	20
Airtel (Seychelles) Limited	Fellow subsidiary	3	3
Airtel Africa Services UK Limited	Fellow subsidiary	12,475	6,459
Airtel Mobile Commerce Uganda Limited	Fellow subsidiary	8,676	24,902
Bharti Hexacom Limited	Fellow subsidiary	1	-
Airtel Africa Telesonic Limited - Dubai Branch	Fellow subsidiary	3,559	-
		27,214	**33,020**
Borrowing from related party			
Airtel Mobile Commerce Uganda Limited (Refer to note 22)	Fellow subsidiary	40,000	
		40,000	-
Total due to related parties		**67,214**	**33,020**

e) Key management compensation

KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director, whether executive or otherwise. Remuneration to key management personnel were as follows.

	2023 **Ushs millions**	**2022** **Ushs millions**
Short term employee benefits	13,078	13,050
Long term employee benefits	692	1,138
Total	**13,770**	**14,188**

f) Directors' compensation

	2023 **Ushs millions**	**2022** **Ushs millions**
Directors' compensation	224	251
	224	**251**

21 SHARE CAPITAL AND SHARE PREMIUM

Total number of authorised shares is 40,000,000,000.
Details are shown below:

	2023 Ushs millions	2022 Ushs millions
Authorised share capital:		
40,000,000,000 ordinary shares of Ushs 1	40,000	-
14,400,000 ordinary shares of Ushs 100	-	1,440
3,232,087 ordinary shares of Ushs 1,000	-	3,232
11,167,913 preference shares of Ushs1,000	-	11,168
	40,000	**15,840**
a) Ordinary share capital issued and fully paid:		
40,000,000,000 ordinary shares of Ushs 1	40,000	-
14,080,010 ordinary shares of Ushs 100 each	-	1,408
b) Share premium		
6,080,000 ordinary shares of Ushs 100 each issued at a premium of Ushs 900 in October 1994	-	5,472
8,000,000 ordinary shares of Ushs 100 each issued at a premium of Ushs 1,332 in September 2000	-	10,656
	-	**16,128**

In contemplation of the IPO and Listing, the Company conducted a reorganisation of its share capital in order to create a sufficient number of shares to support its IPO and Listing objectives. The reorganisation was recommended by the Board of the Company and approved by the Shareholders of the Company on 22 May 2023. Both the Board and Shareholders resolutions were duly stamped and filed with the Uganda Registration Services Bureau in accordance with the Companies Act.

The steps involved in the 22 May 2023 reorganisation of the Company are summarised below:

Conversion and Subdivision of the Preference Shares into Ordinary Shares.

The Shareholders of the Company resolved that all its 11,167,913 preference shares with a par value of Ushs 1,000 each are converted and reclassified into ordinary shares with a par value of Ushs 1,000 each, and subsequently, the reclassified shares to be subdivided into 11,167,913,000 ordinary shares with a par value of Ushs 1 each by applying a ratio of 1000:1.

Subdivision of the Ordinary Shares

The Shareholders resolved that the:

i. 14,400,000 ordinary shares with a par value of Ushs 100 are subdivided into 1,440,000,000 shares of Ushs 1 each by applying a ratio of 100:1; and

ii. the 3,232,087 ordinary shares with a par value of Ushs 1,000 per share are converted into 3,232,087,000 shares of Ushs 1 each by applying a ratio of 1000:1

21 SHARE CAPITAL AND SHARE PREMIUM (CONTINUED)

Shareholder	No. of shares before the subdivision	No. of shares after the subdivision	Par value of each share after the subdivision
Bharti Airtel Uganda Holdings BV	14,080,000	1,408,000,000	1
Bharti Airtel Africa	10	1,000	1
Unallotted Ordinary Shares (including previous preference shares)	14,719,990	14,431,999,000	1
Total	**28,800,000**	**15,840,000,000**	

2023 Increase of Share Capital

The Shareholders of the Company increased the share capital of the Company from Ushs 15,840,000,000 divided into 15,840,000,000 ordinary shares with a par value of Ushs 1 each to Ushs 40,000,000,000 divided into 40,000,000,000 shares with a par value of Ushs 1 by the creation of 24,160,000,000 ordinary shares of with a par value Ushs 1 each. The share capital structure of the Company following this increment was as follows:

Shareholder	No. of ordinary shares
Bharti Airtel Africa B.V.	1,408,000,000
Bharti Airtel Africa B.V.	1,000
Unallotted Ordinary Shares (including previous preference shares)	38,591,999,000
Total	**40,000,000,000**

Issuance of bonus shares

Following the share capital increase, the Company had a total of 38,591,999,000 unalloted ordinary shares comprising 24,160,000,000 newly created shares and 14,431,999,000 existing unissued shares.

On 22 May 2023, the Shareholders of the Company further resolved that the 38,591,999,000 unalloted shares of the Company be allotted to the existing members of the Company in proportion to their shareholding in the Company as fully paid-up bonus shares. The Shareholders approved the funding of the bonus shares to be procured by the capitalisation of the share premium account valued at Ushs 16,128,000,000 and part of the Company's retained earnings comprising Ushs 22,463,999,000 as at 31 March 2023.

Following the issuance and allotment of the bonus shares, the shareholding of the Company is as follows:

Shareholder	No. of ordinary shares
Bharti Airtel Uganda Holdings B.V.	39,999,972,000
Bharti Airtel Africa B.V.	28,000
Total	**40,000,000,000**

21 SHARE CAPITAL AND SHARE PREMIUM (CONTINUED)

No share capital of the Company is under option or agreed conditionally to be put under option. It is the opinion of the Directors that for the next twelve (12) months, the issued share capital of the Company is adequate for the purposes of the business of the Company.
All corporate authorizations and relevant company filings to support the various changes in the Company's share structure, including the shareholders resolution dated 22 May 2023 and the return of allotment also dated 22 May 2023 may be viewed electronically through the Online Business Registration System (https://obrs.ursb.go.ug/search) operated by the Uganda Registration Services Bureau upon payment of the requisite search fee. The registration of the resolution with the Uganda Registration Services Bureau was completed on 23 June 2023.

Following the listing, the shareholding as at 31 December 2023 was as follows:

Name of shareholder	No. of shares	% of shareholding
Bharti Airtel Uganda Holdings B.V.	35,644,069,165	89.1102%
Bharti Airtel Africa B.V.	28,000	0.0001%
National Social Security Fund	4,218,800,000	10.5470%
Other Shareholders	137,102,835	0.3428%
Total	**40,000,000,000**	

22 BORROWINGS

	Note	Maturity	2023 Ushs millions	2022 Ushs millions
Non-current				
Term Loans				
- Stanbic Bank	22(c)	2027	260,000	150,000
- DFCU Bank	22(d)	2025	42,712	59,946
- Absa Bank Group	22(b)	2025	21,324	180,786
- Debt origination fees			(2,124)	(1,336)
Less: current maturity of long-term debt			(30,483)	(77,579)
			291,429	**311,817**

	Note	Maturity	2023 Ushs millions	2022 Ushs millions
Current				
Bank overdraft	22(a)		331,264	224,555
Term Loans				
- Airtel Mobile Commerce Uganda Limited	22(f)	2024	40,000	-
- Standard Chartered Bank	22(e)	2023	-	14,884
Current maturity of long-term debt			30,483	77,579
			401,747	**317,018**
Total borrowings:			**693,176**	**628,835**

22 BORROWINGS (CONTINUED)

The movement in borrowings was as follows:

At 1 January	**628,835**	**490,862**
Proceeds from term loan	300,000	150,000
Movement in Bank overdraft	106,709	123,176
Repayment of term loan	(334,483)	(142,270)
Debt origination cost	(788)	(472)
Unrealised foreign exchange (gain)/loss	(7,097)	7,539
	693,176	**628,835**

Bank Name	Currency	Amount in Ushs millions	Interest Rates	Drawdown date
dfcu Bank	Ushs	42,712	14.85%	11-Dec-20
Absa Bank	Ushs	21,324	15.08%	24-Dec-21
Stanbic Bank	Ushs	260,000	14.76%	14-Dec-23
Airtel Mobile Commerce Uganda Limited	Ushs	40,000	12.88%	01-Sep-23 & 06-Oct-23

Bank overdraft

a) The Company utilized the bank overdraft facility from Citi Bank, Standard Chartered Bank, Absa bank ,UBA bank and Ecobank respectively to meet working capital requirements. The overdraft sanction limit is USD 35 million from Citi Bank, USD 8 million from Standard Chartered Bank, USD 29 million from Absa bank, Ushs 31.4 billion from UBA bank and Ushs 12.9 billion from Ecobank. The Overdraft facilities in Citi bank and Standard chartered bank are fungible based on the payment requirements

b) ABSA Bank Group term loan facility

The Company obtained loan facilities of Ushs 31,986 million and USD 40 million during the months of December 2021 for the purpose of operational working capital and tax payments. The Interest rate on the loan is margin rate of 3.30% plus 180 day Treasury bill rate for Ushs loan & 3.62% margin rate plus 3 months SOFR for USD loan . The USD 40 million facility has been fully paid as at 22nd December, 2023. This loan facility will run for 4 years and mature on 25th December 2025 with quarterly repayments

c) Stanbic Bank Uganda Limited loan facility

The Company obtained a loan facility of Ushs 260,000 million on 14 December 2023 for working capital purposes. The Interest rate on the loan facility is margin rate of 2.4% plus 180-days Treasury bill rate. This loan facility will run for 4 years and mature on 14 June 2027 with quarterly repayments of interest. The earlier loan of Ushs 150,000 million has been fully paid off.

d) DFCU Bank Uganda loan facility

The Company obtained a loan facility of Ushs 75,000 million on 11 December 2020 for the purpose of working capital and payment of License renewal fees. The Interest rate on the loan facility is margin rate of 4.70% plus 182-day treasury bill rate on the day of drawdown of 9.8%. This loan facility will run for 5 years inclusive of 12 months' grace period with a maturity date of 11th November 2025.

22 BORROWINGS (CONTINUED)

e) Standard Chartered Bank Uganda loan facility

The Company rolled-over a loan facility of Ushs 14,886 million on 5 May 2022 for the purpose of License renewal fees payment. The Interest rate on the loan facility is 364-Day Treasury bill rate Plus 1.85% per annum. This loan facility matured on the 29th September 2023.

f) Airtel Mobile Commerce Uganda Limited

The Company signed an agreement with its related party on 30 Jun 2023 for a facility of Ushs 75,000 million to be drawn in installments. The Company withdrew Ushs 20,000 million on 1st September 2023 and Ushs 20,000 million on 6th October 2023, respectively totalling to Ushs 40,000 million with a tenor of One year. The Interest rate on the loan facility is 90-Day Treasury bill rate Plus 2.5% per annum.

23 LEASE LIABILITIES

	2023 Ushs millions	2022 Ushs millions
Current	175,317	135,526
Non-current	609,902	555,318
	785,219	**690,844**

During the year, the financing cost relating to lease liabilities was Ushs 54,215 million (2022: 40,840 million)

The movement of lease liabilities was as follows:

	2023 Ushs millions	2022 Ushs millions
At 1 January	**690,844**	**506,245**
Additions	211,736	284,590
Interest	54,215	40,840
Repayment	(173,663)	(143,337)
Retirement	-	(1,153)
Unrealised foreign exchange loss	2,087	3,659
At 31 December	**785,219**	**690,844**

The future minimum lease payments of the above lease liabilities are as follows:

Lease liabilities	2023 Ushs millions	2022 Ushs millions
Less than one year	220,328	174,341
one year or later	157,521	161,943
Later than two years a but not later than five years	347,397	317,810
Later than five years but not later than nine years	246,899	175,383
Later than nine years	8,645	8,403
Total undiscounted lease liabilities	**980,790**	**837,880**

24 FINANCIAL LIABILITIES - OTHERS

	2023 Ushs millions	2022 Ushs millions
Non-current		
Deferred spectrum liability	142,921	108,170
Dues to employees	207	236
Security deposits	2,075	2,087
	145,203	**110,493**
Current		
Deferred spectrum liability	10,493	4,628
Dues to employees	7,587	10,444
Equipment supply payables	28,356	24,991
Security deposits	2,330	2,304
others	3,085	3,594
	51,851	**45,961**
The movement in deferred spectrum liability was as follows:		
Opening	**112,798**	**110,660**
Additions	44,223	-
Interest	9,458	7,923
Repayment	(16,053)	(11,353)
Foreign exchange loss	2,988	5,568
Closing	**153,414**	**112,798**

25 DEFERRED REVENUE

	2023 Ushs millions	2022 Ushs millions
Non-current		
Deferred revenue	11,068	12,613
Current		
Deferred revenue	29,085	35,125

Deferred income relates to payments received in advance for airtime services offered to prepaid customers which have not yet been consumed. Performance Obligations that are unsatisfied (or partially unsatisfied) amounting to Ushs 40,153 million as at 31 December 2023 (Ushs 47,738 million as at 31 December 2022), of which Ushs 29,085 million will be satisfied over a period of one year and the remaining Ushs 11,068 million over 8 years 3 months (revenue of Ushs 1,545 million to be recognised on annual basis). Revenue recognised that was included in the deferred revenue balance at the beginning of the year is Ushs 35,125 million (2022 Ushs 21,585 million).

26 PROVISIONS

	2023 Ushs millions	2022 Ushs millions
Non-current		
Leave encashment	2,649	2,372
Severance pay	268	215
Asset retirement obligation	14	19
	2,931	**2,606**
Current		
Leave encashment	965	917
Severance pay	49	40
Provision for sub-judice matters	6,199	5,274
	7,213	**6,231**

(a) Leave encashment

Opening balance	**3,290**	**2,667**
Charge for the year	563	1,052
Payments for the year	(240)	(429)
Closing balance	**3,614**	**3,290**

The Company has a policy for employee benefits, specifically applicable to leave encashment and severance pay in line with IAS 19. The valuation is performed on a quarterly basis by a third party, and all assumptions considered for evaluation are revised on an annual basis.

(b) Severance pay

Opening balance	**255**	**240**
Charge for the year	136	64
Other adjustments	(83)	-
Remeasurements due to changes in assumptions (other comprehensive income)	9	(49)
Closing balance	**317**	**255**

There's change in assumptions of discount rate to 15.25% as against 17.0% which resulted in a gain of Ushs 73 million recorded as other comprehensive income during the year. (2022: Ushs 49 million).

Due to its defined benefit plans, the Company is exposed to the following risks:

Salary risk - The present value of the defined benefit plans liability is calculated by reference to the future salaries of the plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

The financial (a year rates) and demographic assumptions used to determine defined benefit obligations are as follows:

26 PROVISIONS (CONTINUED)

	31-Dec-23	31-Dec-22
Discount rate	15.25% per annum	17.0% per annum
Rate of return on plan assets	Not applicable	Not applicable
Rate of salary increase	7.5% per annum	7.5% per annum
Rate of attrition	10.00%	10.00%
Retirement age	60 years	60 years

The Company regularly assesses these assumptions with the projected long-term plans and prevalent industry standards.

The impact of sensitivity due to changes in the significant actuarial assumptions on the defined benefit obligations at 100 basis points is given in the table below:

		31-Dec-23		31-Dec-22	
		Leave encashment	Severance benefits	Leave encashment	Severance benefits
		Ushs millions	Ushs millions	Ushs millions	Ushs millions
Discount Rate	1.00%	3,515	303	3,393	267
	-1.00%	3,729	332	3,207	244
Salary Increase Rate	1.00%	3,719	332	3,213	244
	-1.00%	3,523	303	3,385	266
Withdrawal Rate	1.00%	3,647	301	3,268	269
	-1.00%	3,589	335	3,325	242

The above sensitivity analysis is determined based on a method that extrapolates the impact on the net defined benefit obligations, because of reasonable possible changes in the significant actuarial assumptions. Further, the above sensitivity analysis is based on a reasonably possible change in a particular underlying actuarial assumption, while assuming all other assumptions to be constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

The table below summarises the maturity profile and duration of the defined benefits plan liability:

	31-Dec-23		31-Dec-22	
	Leave encashment	Severance benefits	Leave encashment	Severance benefits
	Ushs millions	Ushs millions	Ushs millions	Ushs millions
Within one year	965	49	917	40
Within one-three years	1,596	120	1,538	102
Within three-five years	1,154	154	1090	132
Above five years	1,831	498	1,758	458
Total	**5,546**	**821**	**5,303**	**732**
Weighted average duration in years	6	6	6	6

26 PROVISIONS (CONTINUED)

(b) Provision for subjudice matters

The movement for provision for subjudice matters is as given below;

	31-Dec-23	31-Dec-22
	Ushs millions	Ushs millions
Opening balance	**5,274**	**2,982**
Additions during the year	(2,359)	5,245
Reversals during the year	287	(2,176)
Utilisations during the year	2,997	(777)
Closing balance	**6,199**	**5,274**

27 TRADE PAYABLES

	2023	2022
	Ushs millions	Ushs millions
Trade payables	167,165	119,910
Amounts due to related parties (refer to note 20)	27,214	33,020
	194,379	**152,930**

28 DERIVATIVE FINANCIAL INSTRUMENTS

The details of derivative financial instruments are as follows:

	2023	2022
	Ushs millions	Ushs millions
Foreign currency forward contracts (liabilities)	**508**	**5,641**

Derivative financial instruments include currency forward contracts denominated in US dollars with expiry periods ranging between 1 months to 6 months.

29 OTHER NON-FINANCIAL LIABILITIES

	2023	2022
	Ushs millions	Ushs millions
Current		
Taxes payable	51,819	51,541
Others	1,178	1,165
	52,997	**52,706**

30 FAIR VALUE OF FINANCIAL ASSETS AND LIABILTIES

Set out below is a comparison by class of the carrying amount and fair value of the financial instruments that are recognised in the Financial Statements. The carrying amount of the financial assets and financial liabilities approximate their fair values because of their short-term nature as shown below.

		Carrying Amount		Fair Value	
Particulars		**2023**	**2022**	**2023**	**2022**
		Ushs millions	**Ushs millions**	**Ushs millions**	**Ushs millions**
Financial assets					
Amortised Cost					
Cash and cash equivalents	Level 1	34,345	35,204	34,345	35,204
Trade receivables	Level 1	98,481	75,650	98,481	75,650
Other financial assets	Level 1	24,636	9,103	24,636	9,103
		157,462	119,957	157,462	119,957
Financial Liabilities					
FVTPL					
Derivatives	Level 1	508	5,641	508	5,641
Amortised Cost					
Borrowings	Level 1	693,176	628,835	693,176	628,835
Trade payables	Level 1	194,379	152,930	194,379	152,930
Lease Liabilities	Level 1	785,219	690,844	785,219	690,844
Other financial liabilities	Level 1	197,054	156,454	197,054	156,454
		1,870,336	1,634,704	1,870,336	1,634,704

31 COMMITMENTS AND CONTINGENCIES

a) Legal proceedings

As at 31 December 2023, there were legal proceedings valued at Ushs 1,087 million (2022: Ushs 5,328 million) outstanding against the Company.

b) Tax proceedings

As at 31 December 2023, there were tax proceedings valued at Ushs 1,489 million (2022: Ushs 1,489 million) outstanding against the Company

c) Capital commitments

Capital commitments of Ushs 76,862 million (2022: Ushs 108,637 million) represent the unexecuted capital contracts as at 31 December 2023. These are contracts between Airtel Uganda Limited and its vendors for the provision of Capex material.

31 COMMITMENTS AND CONTINGENCIES (CONTINUED)

	2023 Ushs millions	2022 Ushs millions
Wthin- one year	76,862	108,637
	76,862	**108,637**

32 DIVIDENDS

The profit for the year amounted to Ushs 296,950 million (2022: Ushs 325,703 million). During the year ended 31 December 2023 the directors recommended interim dividends on 25th May 2023 amounting to Ushs 38,080 million, on 1st September 2023 amounting to Ushs 80,720 million and on 24th November 2022 amounting to Ushs 76,000 million totalling to Ushs 194,800 million (2022: Ushs 226,688 million).

	2023 Ushs millions	2022 Ushs millions
At 1 January	-	-
Final dividend for previous year	99,264	132,000
Interim dividend	194,800	226,688
Dividend Paid	(294,049)	(358,688)
At 31 December	**15**	**-**

Interim dividends for 2023 amounting to Ushs 15 million remain unpaid

33 EARNINGS PER SHARE - BASIC AND DILUTED

Basic earnings per share is calculated on the profit after tax attributable to ordinary equity holders divided by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated on the profit after tax attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding after adjustment of dilutive potential ordinary shares.

The basic and diluted earnings per share are the same as there are no dilutive factors.

33 EARNINGS PER SHARE - BASIC AND DILUTED (CONTINUED)

As required by IAS 33 'Earning per share', the impact of share split and bonus issue during the year (see note 21) has been included in the calculations of basic and diluted earnings per share for the current year and comparative figures have been recalculated accordingly.

	2023	2022
Net profit attributable to ordinary equity holders of the Company (Ushs 'Mn) (a)	296,950	325,703
Number of ordinary shares outstanding at the beginning of the year ('000) (b)	14,080	14,080
Impact of share split ('000) (Refer note 21) (c)	1,393,921	1,393,921
Issuance of unalloted shares ('000) (Refer note 21) (d)	38,591,999	38,591,999
Total issued shares – post split ('000)(e=b+c+d)	40,000,000	40,000,000
Basic and diluted earnings per share (a)/(e)	7.4	8.1

34 OTHER RESERVES

	2023 Ushs millions	2022 Ushs millions
At 1 January	85	34
Charge for the year	(6)	51
At 31 December	79	85

35 COMPARATIVE FIGURES

The statement of financial position for the comparative period of 2022 has been represented as shown below; in order to provide better clarity of the company's financial position and to conform with current year classifcation.

From	To	Amount (Ushs 'millions')
Trade and other receivables	Other financial assets	9,103
Trade and other receivables	Other non current assets	2,128
Trade and other payables	Other financial liabilities	45,961
Trade and other payables	Other non-financial liabilities	48,078
Trade and other payables	Other non-current liabilities	2,323

36 SUBSEQUENT EVENTS

There were no material subsequent events for the year ended 31 December 2023. The Directors are not aware of any other matter or circumstances since the financial year end and the date of this report, not dealt with in the Financial Statements, which significantly affects the financial position of the Company and the results of its operations.